

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

S

W-02017A
Southern Water Corporation
PO Box 85160
Tucson AZ 85754

ANNUAL REPORT

FOR YEAR ENDING

12	31	2005
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RECEIVED
APR 17 2006
AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

FOR COMMISSION USE

ANN04	05
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entered
4-18-06
RF

COMPANY INFORMATION

Company Name (Business Name) Southern Water Corporation		
Mailing Address 2102 N. Forbes, #107		
(Street)		
Tucson	AZ	85745
(City)	(State)	(Zip)
520-624-4404	520-792-0377	
Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address		
Local Office Mailing Address Same as above		
(Street)		
(City)	(State)	(Zip)
Local Office Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address		

MANAGEMENT INFORMATION

Management Contact: Southwestern Utility Management, Inc.			
(Name)		(Title)	
2102 N. Forbes, #107	Tucson	AZ	85745
(Street)	(City)	(State)	(Zip)
520-624-4404	520-792-0377		
Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address			
On Site Manager: Pat Blank			
(Name)			
2102 N. Forbes, #107	Tucson	AZ	85745
(Street)	(City)	(State)	(Zip)
520-624-4404	520-792-0377		
Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address			

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent Ezra H. Lewis			
(Name)			
2102 N. Forbes, #107	Tucson	AZ	85745
(Street)	(City)	(State)	(Zip)
520-624-4404	520-792-0377		
Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Attorney:			
(Name)			
(Street) (City) (State) (Zip)			
Telephone Number (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)			

OWNERSHIP INFORMATION

Check the following box that applies to you company:

<input type="checkbox"/> Sole Proprietor (S)	<input checked="" type="checkbox"/> C Corporation (C) (Other than Association/Co-Op)
<input type="checkbox"/> Partnership (P)	<input type="checkbox"/> Subchapter S Corporation (Z)
<input type="checkbox"/> Bankruptcy (B)	<input type="checkbox"/> Association/Co-Op (A)
<input type="checkbox"/> Receivership (R)	<input type="checkbox"/> Limited Liability Company
<input type="checkbox"/> Other (Describe) _____	

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

<input type="checkbox"/> APACHE	<input type="checkbox"/> COCHISE	<input type="checkbox"/> COCONINO
<input type="checkbox"/> GILA	<input type="checkbox"/> GRAHAM	<input type="checkbox"/> GREENLEE
<input type="checkbox"/> LA PAZ	<input type="checkbox"/> MARICOPA	<input type="checkbox"/> MOHAVE
<input type="checkbox"/> NAVAJO	<input type="checkbox"/> PIMA	<input type="checkbox"/> PINAL
<input checked="" type="checkbox"/> SANTA CRUZ	<input type="checkbox"/> YAVAPAI	<input type="checkbox"/> YUMA
<input type="checkbox"/> STATEWIDE		

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D (OC less AD)
301	Organization			
302	Franchises	424		424
303	Land and Land Rights			
304	Structures and Improvements	2750	2750	
307	Wells and Springs	32550	31932	618
311	Pumping Equipment	18641	11857	6784
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	27239	27202	37
331	Transmission and Distribution Mains	21120	21120	
333	Services	2819	2819	
334	Meters and Meter Installations	2263	2263	
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	107806	99943	7863

This amount goes on the Balance Sheet Acct. No. 108

See Accountants' Report.

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)*
301	Organization			
302	Franchises	424		
303	Land and Land Rights			
304	Structures and Improvements	*2750		
	Wells and Springs	*31900 650	5%	32
311	Pumping Equipment	*11500 7141	5%	357
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	*27200 39	5%	2
331	Transmission and Distribution Mains	*21120		
333	Services	*2819		
334	Meters and Meter Installations	*2263		
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	107806		391

This amount goes on Comparative statement of Income and Expense Acct. No. 403.

*fully depreciated assets

See Accountants' Report.

BALANCE SHEET

Acct. No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$	\$ 3980
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable		2217
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$	\$ 6197
	FIXED ASSETS		
101	Utility Plant in Service	\$	\$ 107806
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant		99943
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$	\$ 7863
	TOTAL ASSETS	\$	\$ 14060

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

BALANCE SHEET (CONTINUED)

Acct. No.	LIABILITIES	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT LIABILITIES		
231	Accounts Payable	\$	\$ 661
232	Notes Payable (Current Portion)		1000
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits		100
236	Accrued Taxes		125
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$	\$ 1886
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$	\$ ---
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$	\$ ---
	TOTAL LIABILITIES	\$	\$ 1886
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$	\$
211	Paid in Capital in Excess of Par Value*		
215	Retained Earnings		12174
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$	\$ 12174
	TOTAL LIABILITIES AND CAPITAL	\$	\$ 14060

Retained Earnings at 1/1/05

424

Net Income for 2005

11750

Retained Earnings at 12/31/05

12174

See Accountants' Report.

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$	\$ 24303
460	Unmetered Water Revenue		
474	Other Water Revenue		30
	TOTAL REVENUES	\$	\$ 24333
	OPERATING EXPENSES		
601	Salaries and Wages	\$	\$
610	Purchased Water		
615	Purchased Power		2566
618	Chemicals		
620	Repairs and Maintenance		1256
621	Office Supplies and Expense		329
630	Outside Services		6178
635	Water Testing		1700
641	Rents		
650	Transportation Expense		810
657	Insurance – General Liability		
659	Insurance – Health and Life		
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense		45
403	Depreciation Expense		391
408	Taxes Other Than Income		
408.11	Property Taxes		
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$	\$ 13275
	OPERATING INCOME/(LOSS)	\$	\$ 11058
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		692
426	Miscellaneous Non-Utility Income		
427	Interest Expense		
	TOTAL OTHER INCOME/(EXPENSE)	\$	\$ 692
	NET INCOME/(LOSS)	\$	\$ 11750

SUPPLEMENTAL FINANCIAL DATA**Long-Term Debt**

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principal	\$	\$	\$	\$

Meter Deposit Balance at Test Year End \$ ---

Meter Deposits Refunded During the Test Year \$ ---

COMPANY NAME	Southern Water Company
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WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
A19BDC12308	7.5		450	8		
A32ABDH2010	5		500	6		
A32ABC212010	3		500	6		

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
None		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
5	1		
7.5	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
10,000	1	800	1
		1,000	1
	n	5,000	1

COMPANY NAME Southern Water Company

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	PVC	10,560
3		
4		
5		
6		
8		
10		
12		
2	PVC	1,320
3	PVC	1,320

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	54
3/4	1
1	1
1 1/2	1
2	
Comp. 3	1
Turbo 3	
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

None

STRUCTURES:

3 Fences (at each well site)

1 small pump house

OTHER:

COMPANY NAME: Southern Water Company

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2005

PWS #12-010

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY		Information not available	
FEBRUARY		Information not available	
MARCH		Information not available	
APRIL		Information not available	
MAY		Information not available	
JUNE	38	402,267	402
JULY	38	477,742	478
AUGUST	38	387,379	387
SEPTEMBER	38	359,399	359
OCTOBER	38	403,249	403
NOVEMBER	38	351,166	351
DECEMBER	38	353,058	353
TOTAL		2,734,260	2,734

Is the Water Utility located in an ADWR Active Management Area (AMA)?

() Yes (x) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

() Yes (x) No

If yes, provide the GPCPD amount: _____

What is the level of arsenic for each well on your system. 0.0035 mg/l
(If more than one well, please list each separately.)

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME: Southern Water Company

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2005

PWS #12-308

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY		Information not available	
FEBRUARY		Information not available	
MARCH		Information not available	
APRIL		Information not available	
MAY		Information not available	
JUNE	20	101,849	102
JULY	20	124,929	125
AUGUST	20	86,134	86
SEPTEMBER	20	86,134	86
OCTOBER	20	105,934	106
NOVEMBER	20	110,090	110
DECEMBER	20	97,480	97
TOTAL		712,550	713

Is the Water Utility located in an ADWR Active Management Area (AMA)?

() Yes

(x) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

() Yes

(x) No

If yes, provide the GPCPD amount: _____

What is the level of arsenic for each well on your system. 0.0037 mg/l
(If more than one well, please list each separately.)

Note: If you are filing for more than one system, please provide separate data sheets for each system.

PROPERTY TAXES

Amount of actual property taxes paid during Calendar year 2005 was \$ -0-

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property tax paid, explain why. Company is in bankruptcy, a sale is pending.

FROM : S/W UTILITY

FAX NO. : 520 792 8377

Apr. 14 2006 12:58PM P1

**VERIFICATION
AND
SWORN STATEMENT
TAX**

VERIFICATION

**STATE OF ARIZONA
I, THE UNDERSIGNED
OF THE**

COUNTY OF (COUNTY NAME) Pima	
NAME (OWNER OR OFFICIAL) Ezra H. Lewis	TITLE
COMPANY NAME Southern Water Corporation	

RECEIVED
APR 17 2006
AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

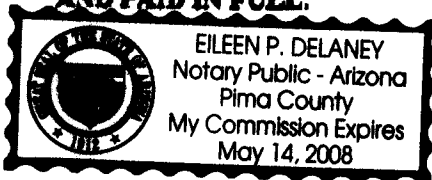
MONTH	DAY	YEAR
12	31	2005

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.



Ezra H. Lewis
SIGNATURE OF OWNER OR OFFICIAL

520-623-5172
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME
A NOTARY PUBLIC IN AND FOR THE COUNTY OF
THIS 14TH DAY OF

(SEAL)

COUNTY NAME	Pima
MONTH	12
DAY	31
YEAR	2005

MY COMMISSION EXPIRES

May 14, 2008

Eileen P. Delaney
SIGNATURE OF NOTARY PUBLIC

See Accountants' Report.

FROM : S/W UTILITY

FAX NO. : 520 792 0377

Apr. 14 2006 12:50PM P2

COMPANY NAME Southern Water Corporation**YEAR ENDING** 12/31/2005**INCOME TAXES**

For this reporting period, please provide the following:

Federal Taxable Income Reported	<u>Loss</u>
Estimated or Actual Federal Tax Liability	<u>---</u>

State Taxable Income Reported	<u>Loss</u>
Estimated or Actual State Tax Liability	<u>---</u>

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances	<u>---</u>
Amount of Gross-Up Tax Collected	<u>---</u>
Total Grossed-Up Contributions/Advances	<u>---</u>

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

Egon H. Lewis
SIGNATURE

April 14, 2006
DATE

Egon H. Lewis
PRINTED NAME

President
TITLE

See Accountants' Report.

FROM : S/W UTILITY

FAX NO. : 520 792 0377

Apr. 14 2006 12:51PM P3

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

**VERIFICATION
STATE OF**

**I, THE UNDERSIGNED
OF THE**

Arizona

COUNTY OF (COUNTY NAME)

Pima

NAME (OWNER OR OFFICIAL TITLE)

Ezra H. Lewis, President

CORPORATE NAME

Southern Water Corporation

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION
FOR THE YEAR ENDING**

MONTH	DAY	YEAR
12	31	2005

**HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND
RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND
DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND
AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO
EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE,
INFORMATION AND BELIEF.**

SWORN STATEMENT

**IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401,
ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING
REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS
BEING \$ 2,585,615.00 FOR THE YEAR ENDING 12/31/2005 WAS:**



EILEEN P. DELANEY
Notary Public - Arizona
Pima County
My Commission Expires
May 14, 2008

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 2,585,615.00

**(THE AMOUNT IN THE BOX ABOVE
INCLUDES \$ 1523
IN SALES TAXES BILLED, OR COLLECTED)**

****REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED OR
COLLECTED. IF FOR ANY OTHER REASON,
THE REVENUE REPORTED ABOVE DOES NOT
AGREE WITH TOTAL OPERATING REVENUES
ELSEWHERE REPORTED, ATTACH THOSE
STATEMENTS THAT RECONCILE THE
DIFFERENCE. (EXPLAIN IN DETAIL.)**

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

14th

DAY OF

(SEAL)

MY COMMISSION EXPIRES

May 14, 2008

COUNTY NAME

MONTH

SIGNATURE OF NOTARY PUBLIC

See Accountants' Report.

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RECEIVED
APR 17 2006
AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

Ezra H. Lewis
SIGNATURE OF OWNER OR OFFICIAL
520-629-5172
TELEPHONE NUMBER

Pima
COUNTY NAME
April 2006
MONTH

Eileen P. Delaney
SIGNATURE OF NOTARY PUBLIC

FROM : S/W UTILITY

FAX NO. : 520 792 8377

Apr. 14 2006 12:51PM P4

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
Residential Revenue Only**

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION
COMMISSION

FOR THE YEAR ENDING

COUNTY OF (COUNTY NAME) Pima	
NAME (OWNER OR OFFICIAL) Ezra H. Lewis	TITLE President
COMPANY NAME Southern Water Corporation	

MONTH 12	DAY 31	YEAR 2005
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HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01 ARIZONA REVISED STATUTES, IT IS HEREBY REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2005 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES \$ 18,751
--

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 1,184
IN SALES TAXES BILLED, OR COLLECTED)

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE TAXES



ELLEN R. DELANEY
Notary Public - Arizona
Pima County
My Commission Expires
May 14, 2008

SUBSCRIBED AND SWORN TO BEFORE ME
A NOTARY PUBLIC IN AND FOR THE COUNTY OF
THIS

12 DAY OF

(SEAL)

MY COMMISSION EXPIRES

Ezra H. Lewis
SIGNATURE OF OWNER OR OFFICIAL
520-629-5172
TELEPHONE NUMBER

ELLEN R. DELANEY
PIMA
#010
Ellen R. Delaney
NOTARY PUBLIC

See Accountants' Report.

17

HOLM, HESTAND & VALENZUELA, CPAs, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
3131 NORTH COUNTRY CLUB ROAD, SUITE 109
TUCSON, ARIZONA 85716

DOUGLAS R. HOLM, CPA
EMMA K. HESTAND, CPA
JANETTE G. VALENZUELA, CPA

TELEPHONE: (520) 326-8483
FAX: (520) 795-5191
E-MAIL: HHVCPA@EARTHLINK.NET

We have compiled the balance sheet of Southern Water Corporation as of December 31, 2005, and the related statement of income and expense for the year then ended, included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. We have also compiled the supplementary information presented in the prescribed form.

Our compilation was limited to presenting in the form prescribed by the Arizona Corporation Commission--Utilities Division information that is the representation of management. We have not audited or reviewed the financial statements and supplementary information referred to above, and accordingly, do not express an opinion or any other form of assurance on them.

These financial statements and the supplementary information are presented in accordance with the requirements of the Arizona Corporation Commission--Utilities Division, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

Holm, Hestand, Valenzuela CPAs, PC

April 8, 2006